

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Harbor Springs Public Schools</b>	County <b>Emmet</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/5/05</b>	Date Accountant Report Submitted to State: <b>10/21/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised
2. We are certified public accountants registered to practice in Michigan

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980)   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95)   |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGU)			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>902 S. Huron Street, PO Box 250</b>	City <b>Cheboygan</b>	State <b>MI</b>	ZIP <b>49721</b>
Accountant Signature <i>Annette Eustice, CPA, CGFM</i>		Date <b>10/21/05</b>	



Harbor Springs Public Schools

*Academic Excellence in a Family Atmosphere*

## **FINANCIAL STATEMENTS**

**For The Year Ended  
June 30, 2005**

# HARBOR SPRINGS PUBLIC SCHOOLS

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FOR THE YEAR ENDED JUNE 30, 2005

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## **INDEPENDENT AUDITORS' REPORT**

August 5, 2005

Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Harbor Springs Public Schools* (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages I - VII is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of *Harbor Springs Public Schools* (the "District"), a K-12 school district located in Emmet County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Overview of the Financial Statements

The District's financial statements consist of Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are *fund financial statements* that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds – the General Fund, 2001 Bond Construction Capital Project Fund, and the 2001 Bond Issue Debt Service Fund, with all other funds presented in one column as non-major funds.

The *statement of fiduciary net assets* and the *statement of changes in fiduciary net assets – private purpose trust funds*, present financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

**District-wide financial statements.** The *District-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities, which appear first in the District's financial statements, include all assets and liabilities and use the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many non-financial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities and the safety of the schools.



The statement of net assets and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services and athletics. Property taxes, unrestricted state aid, state grants, and federal grants finance most of these activities.

**Fund financial statements.** The District's *fund financial statements* provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are “measurable” and “currently available”. Expenses are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Funds – consisting of the 1977, 1991, 1993 and 2001 Debt Service Funds and the Durant Debt Service Fund.
- Special Revenue Funds – consisting of the Food Service Fund, Athletic Fund and the Community Schools Fund.
- Capital Projects Funds – consisting of the 2001 Bond Construction Capital Project Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Financial Analysis of the District as a Whole

As stated earlier, the summary of net assets provides the perspective of the District as a whole. The District's net assets at June 30, 2005 increased approximately 15% percent to approximately \$10.2 million. Table 1 provides a summary of the District's net assets as of June 30, 2005 and 2004:

**Harbor Springs Public Schools**  
**Net Assets**  
**Table 1**

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Assets</b>		
Current assets	\$ 7,818,688	\$ 14,108,925
Capital assets, net of accumulated depreciation	<u>41,262,832</u>	<u>35,338,489</u>
<b>Total assets</b>	<b><u>49,181,520</u></b>	<b><u>49,447,414</u></b>
<b>Liabilities</b>		
Current liabilities	1,540,973	3,781,125
Long-term liabilities	<u>37,489,463</u>	<u>36,705,482</u>
<b>Total liabilities</b>	<b><u>39,030,436</u></b>	<b><u>40,486,607</u></b>
Invested in capital assets, net of related debt	10,331,845	10,331,846
Restricted for debt service	856,747	668,690
Unrestricted	<u>(1,037,508)</u>	<u>(2,039,729)</u>
<b>Total net assets</b>	<b><u>\$ 10,151,084</u></b>	<b><u>\$ 8,960,807</u></b>

Investment in capital assets, net of related debt of \$10,331,845, is the original cost of the District's capital assets and the remaining balance to be spent on the capital project, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid from voter-approved property taxes collected as the debt and interest payments come due. Restricted net assets of approximately \$856,747 are shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use those net assets for day-to-day operations.

The remaining amount of unrestricted net assets (deficit) of approximately \$(1.0) million represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, summarized in Table 2, which shows the changes in net assets for fiscal year 2005 and 2004:

**Harbor Springs Public Schools**  
**Change in Net Assets**  
**Table 2**

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 556,470	\$ 557,589
Grants and contributions	1,202,675	1,205,638
General revenues		
Property taxes	11,632,880	10,881,016
Unrestricted state aid	513,441	1,100,306
Other	<u>346,505</u>	<u>108,668</u>
<b>Total revenues</b>	<b><u>14,251,971</u></b>	<b><u>13,853,217</u></b>
<b>Expenses</b>		
Instruction	5,701,204	6,978,247
Support services	3,391,124	2,898,388
Community services	305,066	250,939
Food services	268,752	301,288
Athletics	271,222	295,756
Other transactions	80,500	94,512
Interest/fees on long-term debt	1,973,142	2,107,678
Depreciation (unallocated)	<u>996,484</u>	<u>521,812</u>
<b>Total expenses</b>	<b><u>12,987,494</u></b>	<b><u>13,448,620</u></b>
<b>Increase in net assets</b>	<b><u>\$ 1,268,675</u></b>	<b><u>\$ 404,597</u></b>

Of the District's total revenues available to operate the District, approximately 4 percent or \$556,000 came from fees charged to those who benefited from the programs. Approximately 9 percent or \$1.20 million of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of approximately \$11.7 million, mainly supported the remaining portion of the governmental activities. The property tax revenue represents 13.99 mills on all non-homestead property, which the District is required by the State to levy in order to receive the full State foundation allowance. The unrestricted state aid accounted for approximately 4 percent or \$513 thousand of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance, and the non-homestead property taxable values of the District.

Non-homestead taxable value increased 8.16% from the June 20, 2004 to June 30, 2005 school year, causing the District to receive less revenue from the State of Michigan. The State guaranteed foundation allowance for the District is \$8,000 per student and local revenue is \$7,477 per student. The difference is then made up by the State up to the guaranteed foundation amount of \$8,000.

The expense portion of Table 2 shows the financial support each functional area required during the year. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$5.7 million or 44 percent of total expenses. Support services amounted to approximately \$3.4 million or 27 percent of all expenses, which includes such items as transportation, maintenance, security, supervision, counseling, and a variety of similar services that support the District's mission of educating children.

The District experienced an increase in net assets of \$1,268,675 or approximately 11 percent. A key reason for the increase in net assets is that, under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as an expense. The increase in net assets differs from the change in fund balance and a reconciliation appears later in the financial statements.

### **Financial Analysis of the District's Funds**

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately \$6.3 million, which is a decrease of approximately \$6.2 million from the prior year mainly due to construction and capital outlay in the capital project fund.

Approximately 49 percent of total combined fund balance, or \$3 million, constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance, or approximately \$3.3 million, is *reserved* to indicate that it is not available for spending at the District's discretion. Of the reserved fund balance, approximately \$2.4 million is earmarked for capital improvements and approximately \$900 thousand for payments on long-term debt.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was approximately \$2.4 million, while total fund balance was approximately \$2.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 26 and 31 percent, respectively, of total General Fund expenditures (excluding transfers out).

The fund balance of the District's General Fund increased by approximately \$61 thousand during the current fiscal year. This increase is primarily attributable to making necessary budget adjustments and purchasing necessary items only. The District also received additional funds from the Charlevoix-Emmet Intermediate School District to offset our special education and vocational costs.

## General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in the financial statements. Major changes to the General Fund original budget were:

- Expenditure containment
- Utility costs coming in less than budgeted
- Increase in interest income
- USF Funds
- Cut off all spending
- Staffing adjustments
- Received additional funds from the Charlevoix Emmet Intermediate School District to help offset special education and vocational costs

## Capital Asset and Debt Administration

**Capital assets.** By the end of June 30, 2005, the District had invested approximately \$41.3 million in a broad range of capital assets, including school buildings, land, vehicles, furniture and equipment. This represents a net increase (including all additions) of approximately \$6.0 million or 17 percent from last year. More detailed information about capital assets is available in Note III.C. to the financial statements.

This year's capital assets additions were attributable mainly to the school building project.

### Harbor Springs Public Schools Capital Assets

	<u>2005</u>	<u>2004</u>
Land	\$ 2,660,623	\$ 2,660,623
Construction-in-progress	7,060,343	23,524,539
Land improvements	1,964,997	709,146
Buildings and additions	33,874,246	11,652,558
Buses and other vehicles	642,472	642,472
Furniture and equipment	<u>2,343,579</u>	<u>2,343,669</u>
Total capital assets	48,546,260	41,533,007
Less accumulated depreciation	<u>7,183,428</u>	<u>6,194,518</u>
Net capital assets	<u><b>\$ 41,262,832</b></u>	<u><b>\$ 35,338,489</b></u>

**Debt.** At year-end, the District had approximately \$37.5 million in general obligation bonds and other long-term debt outstanding – a reduction of 4 percent from last year. More detailed information about the District's long-term debt is presented in Note III F to the financial statements, and in the other supplementary information section.

**Harbor Springs Public Schools  
Long-Term Debt**

	<u>2005</u>	<u>2004</u>
Bonds and contracts payable	\$ 32,421,529	\$ 33,626,122
Other general obligation debt	<u>824,793</u>	<u>5,201,557</u>
<b>Total long-term debt</b>	<b><u>\$ 37,489,462</u></b>	<b><u>\$38,827,679</u></b>

During fiscal 2004, the District entered into early retirement incentives amounting to \$592,000.

**Factors Bearing on the District's Future**

We considered many factors when setting the District's 2005-06 fiscal year budget.

- Retirement rate increasing from 14.87 % to 16.34 %
- Increase in health insurance of 11.21 %
- Added all day kindergarten
- Increase in property and general liability for the High School new additions
- Increased utility budgets for the High School new additions

Based on early enrollment data at the start of the 2005-06 school year, we anticipate that the September 2005 student count to be 1,125.

**Contacting the School District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, 800 State Road, Harbor Springs, Michigan.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**



# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF NET ASSETS GOVERNMENTAL ACTIVITIES

JUNE 30, 2005

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### ASSETS

Cash and cash equivalents	\$ 1,512,796
Investments	6,102,480
Accounts receivable	15,905
Due from other governmental units	170,203
Inventory	17,744
Capital assets not being depreciated	9,720,966
Capital assets being depreciated, net	31,641,866

### Total assets

**49,181,520**

### LIABILITIES

Accounts payable and accrued expenses	1,368,072
Deferred revenue	172,901
Long-term liabilities	
Due within one year	2,367,814
Due in more than one year	35,121,649

### Total liabilities

**39,030,436**

### NET ASSETS

Invested in capital assets, net of related debt	8,941,303
Restricted for debt service	856,747
Unrestricted (deficit)	353,034

### Total net assets

**\$ 10,151,084**

The accompanying notes are an integral part of these financial statements.

# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 5,701,204	\$ -	\$ 1,051,298	\$ (4,649,906)
Supporting services	3,386,926	103,891	54,612	(3,228,423)
Community services	305,066	240,100	3,213	(61,753)
Food services	268,752	181,464	93,552	6,264
Athletics	271,222	31,015	-	(240,207)
Other transactions	80,500	-	-	(80,500)
Interest on long-term debt	1,973,142	-	-	(1,973,142)
Unallocated depreciation	996,484	-	-	(996,484)
<b>Total governmental activities</b>	<b>\$ 12,983,296</b>	<b>\$ 556,470</b>	<b>\$ 1,202,675</b>	<b>(11,224,151)</b>
<b>General revenues</b>				
Property taxes - operations				8,296,443
Property taxes - debt service				3,336,437
Unrestricted state aid				513,441
Unrestricted investment earnings				333,505
Other				13,000
<b>Total general revenues</b>				<b>12,492,826</b>
<b>Change in net assets</b>				<b>1,268,675</b>
Net assets, beginning of year				8,960,807
Prior period adjustment				(78,398)
Net assets, beginning of year, as restated				8,882,409
<b>Net assets, end of year</b>				<b>\$ 10,151,084</b>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

# HARBOR SPRINGS PUBLIC SCHOOLS

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	General	2001 Bond Construction Capital Project Fund	2001 Bond Issue Debt Service Fund	Non- Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,101,039	\$ 131,836	\$ 174,607	\$ 105,314	\$ 1,512,796
Investments	2,454,184	2,894,646	459,816	293,834	6,102,480
Accounts receivable	2,535	-	-	-	2,535
Interest receivable	13,370	-	-	-	13,370
Due from other funds	4,054	-	-	5,799	9,853
Due from other governmental units	170,203	-	-	-	170,203
Inventory	15,679	-	-	2,065	17,744
<b>Total assets</b>	<b>\$ 3,761,064</b>	<b>\$ 3,026,482</b>	<b>\$ 634,423</b>	<b>\$ 407,012</b>	<b>\$ 7,828,981</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,485	\$ 668,922	\$ -	\$ 6,187	\$ 682,594
Salaries payable	458,706	-	-	-	458,706
Accrued expenses	226,772	-	-	-	226,772
Due to other funds	6,239	-	-	4,054	10,293
Deferred revenue	172,901	-	-	-	172,901
<b>Total liabilities</b>	<b>872,103</b>	<b>668,922</b>	<b>-</b>	<b>10,241</b>	<b>1,551,266</b>
<b>Fund balances</b>					
Reserved					
Inventory	15,679	-	-	2,065	17,744
Debt service	-	-	634,423	222,324	856,747
Capital projects	-	2,357,560	-	-	2,357,560
Unreserved					
Designated for retirement incentive	473,600	-	-	-	473,600
Undesignated, reported in nonmajor					
Special Revenue Fund	-	-	-	172,382	172,382
Undesignated General Fund	2,399,682	-	-	-	2,399,682
<b>Total fund balances</b>	<b>2,888,961</b>	<b>2,357,560</b>	<b>634,423</b>	<b>396,771</b>	<b>6,277,715</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,761,064</b>	<b>\$ 3,026,482</b>	<b>\$ 634,423</b>	<b>\$ 407,012</b>	<b>\$ 7,828,981</b>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

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**Reconciliation of fund balance on the balance sheet for governmental funds to net asset  
of governmental activities on the statement of net assets:**

**Fund balance - total governmental funds** **\$ 6,277,715**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported  
in the funds

Add	- capital assets	48,546,260
Deduct	- accumulated depreciation	(7,183,428)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore  
are not reported in the funds.

Deduct	- bonds, contracts and retirement incentives payable	(32,895,129)
	- compensated absences	(308,538)
	- accrued interest on bonds payable	(263,275)
	- accreted interest on capital appreciation bonds payable	(4,022,521)

**Net assets of governmental activities** **\$ 10,151,084**

Concluded

The accompanying notes are an integral part of these financial statements.

# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General	2001 Bond Construction Capital Project Fund	2001 Bond Issue Debt Service Fund	Non- Major Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources					
Property taxes	\$ 8,296,443	\$ -	\$ 2,409,303	\$ 927,134	\$ 11,632,880
Tuition	24,234	-	-	-	24,234
Charges for services	103,891	-	-	451,939	555,830
Interest income	75,935	224,314	19,385	13,871	333,505
Other income	58,532	13,000	-	640	72,172
State sources	828,156	-	-	16,216	844,372
Federal sources	177,543	-	-	80,549	258,092
Interdistrict sources	530,886	-	-	-	530,886
<b>Total revenues</b>	<b>10,095,620</b>	<b>237,314</b>	<b>2,428,688</b>	<b>1,490,349</b>	<b>14,251,971</b>
<b>Expenditures</b>					
Instruction	5,929,646	-	-	-	5,929,646
Supporting services	3,272,062	-	-	-	3,272,062
Community services	-	-	-	305,066	305,066
Food services	-	-	-	268,752	268,752
Athletics	-	-	-	271,222	271,222
Other transactions	80,500	-	-	-	80,500
Capital outlay	-	7,060,343	-	-	7,060,343
Debt service					
Principal	48,600	-	800,000	550,392	1,398,992
Interest and paying agent fees	9,789	-	1,444,113	383,768	1,837,670
<b>Total expenditures</b>	<b>9,340,597</b>	<b>7,060,343</b>	<b>2,244,113</b>	<b>1,779,200</b>	<b>20,424,253</b>
<b>Revenues over (under) expenditures</b>	<b>755,023</b>	<b>(6,823,029)</b>	<b>184,575</b>	<b>(288,851)</b>	<b>(6,172,282)</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	366,710	-	327,467	694,177
Transfers out	(694,177)	-	-	-	(694,177)
<b>Total other financing sources (uses)</b>	<b>(694,177)</b>	<b>366,710</b>	<b>-</b>	<b>327,467</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>60,846</b>	<b>(6,456,319)</b>	<b>184,575</b>	<b>38,616</b>	<b>(6,172,282)</b>
Fund balances, beginning of year	2,828,115	8,813,879	449,848	358,155	12,449,997
<b>Fund balances, end of year</b>	<b>\$ 2,888,961</b>	<b>\$ 2,357,560</b>	<b>\$ 634,423</b>	<b>\$ 396,771</b>	<b>\$ 6,277,715</b>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

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**Reconciliation of the statement of revenues, expenditures and changes in fund balance:  
of governmental funds to the statement of activities**

**Net change in fund balances - total governmental funds** **\$ (6,172,282)**

Amounts reported for *governmental activities* in the statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add	- capital outlay	7,146,225
Deduct	- depreciation expense	(996,484)

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.

Deduct	- cost of the capital asset	(47,000)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add	- principal payments on long-term liabilities	1,517,393
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Deduct	- increase in accrued compensated absences	(43,704)
Deduct	- increase in accreted interest payable on capital appreciation bonds	(147,395)
Add	- decrease in accrued interest payable on bonds	11,922

**Change in net assets of governmental activities** **\$ 1,268,675**

Concluded

The accompanying notes are an integral part of these financial statements.

# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Actual Over (Under) Final Amended Budget
	Original	Final Amended	Actual	
<b>Revenues</b>				
Local sources	\$ 8,070,216	\$ 8,027,833	\$ 8,559,035	\$ 531,202
State sources	1,402,785	1,442,461	828,156	(614,305)
Federal sources	211,060	246,729	177,543	(69,186)
Interdistrict sources	412,926	407,009	530,886	123,877
<b>Total revenues</b>	<b>10,096,987</b>	<b>10,124,032</b>	<b>10,095,620</b>	<b>(28,412)</b>
<b>Expenditures</b>				
Education				
Instruction	6,297,700	6,153,641	5,929,646	223,995
Support services	3,662,500	3,533,086	3,272,062	261,024
Other transactions	100,000	94,512	80,500	14,012
Debt service				
Principal payments	72,458	80,600	48,600	32,000
Interest and paying agent fees	20,442	12,386	9,789	2,597
<b>Total expenditures</b>	<b>10,153,100</b>	<b>9,874,225</b>	<b>9,340,597</b>	<b>533,628</b>
<b>Revenues over (under) expenditures</b>	<b>(56,113)</b>	<b>249,807</b>	<b>755,023</b>	<b>505,216</b>
<b>Other financing sources (uses)</b>				
Transfers in	164,538	2,590	-	(2,590)
Transfers out	(285,735)	(303,456)	(694,177)	(390,721)
<b>Total other financing sources (uses)</b>	<b>(121,197)</b>	<b>(300,866)</b>	<b>(694,177)</b>	<b>(393,311)</b>
<b>Net change in fund balance</b>	<b>(177,310)</b>	<b>(51,059)</b>	<b>60,846</b>	<b>111,905</b>
Fund balance, beginning of year	2,828,115	2,828,115	2,828,115	-
<b>Fund balance, end of year</b>	<b>\$ 2,650,805</b>	<b>\$ 2,777,056</b>	<b>\$ 2,888,961</b>	<b>\$ 111,905</b>

The accompanying notes are an integral part of these financial statements.



# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 24	\$ 667
Investments	60,503	276,257
Due from other funds	-	440
<b>Total assets</b>	<b>60,527</b>	<b>\$ 277,364</b>
<b>Liabilities</b>		
Scholarships payable	-	\$ 13,362
Due to student groups	-	211,127
Due to others	-	52,875
<b>Total liabilities</b>	<b>-</b>	<b>\$ 277,364</b>
<b>Net assets</b>		
Restricted for endowments	55,966	
Restricted for scholarships	2,561	
Unrestricted	2,000	
<b>Net assets</b>	<b>\$ 60,527</b>	

The accompanying notes are an integral part of these financial statements.

# HARBOR SPRINGS PUBLIC SCHOOLS

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

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<b>Additions</b>	
Investment earnings	\$ 1,136
<b>Deductions</b>	
Shay scholarship payments	<u>1,500</u>
<b>Change in net assets</b>	<b>(364)</b>
Net assets, beginning of year	<u>60,891</u>
<b>Net assets, end of year</b>	<b><u>\$ 60,527</u></b>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Harbor Springs Public Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2001 Bond Construction Capital Project Fund* accounts for the receipt of bond proceeds and the acquisition of capital assets or construction of major capital projects.

The *2001 Bond Issue Debt Service Fund* is used to account for property tax revenue and the payment of bond principal and interest.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for the various food service, athletic programs and community schools recreation activities sponsored by the District.

The *Debt Service Funds* account for the principal and interest payments on bonds and notes used to finance various construction projects in the District.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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The *Fiduciary Funds* account for assets held by the District in a trustee capacity or an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the District-wide financial statements.

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private Purpose Trust Funds account for assets whereby both the principal and interest may be spent.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the District-wide financial statements.

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2005.

### **3. *Inventory***

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

### **4. *Capital assets***

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Land improvements	20-40
Buildings and additions	10-50
Furniture and equipment	5-20
Busses and other vehicles	8

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **5. *Compensated absences***

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the District-wide financial statements for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

### **6. *Long-term obligations***

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The General Fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the General Fund is adopted on a functional basis.



# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 1,512,796
Investments	<u>6,102,480</u>
Total Statement of Net Assets	7,615,276
Statement of Fiduciary Net Assets	
Private Purpose Trust Fund	
Cash and cash equivalents	24
Investments	60,503
Agency Funds	
Cash and cash equivalents	667
Investments	<u>276,257</u>
Total Statement of Fiduciary Net Assets	<u>337,451</u>
<b>Total cash and cash equivalents and investments</b>	<b><u><u>\$ 7,952,727</u></u></b>

These balances are reflected in the note disclosures as follows:

Bank deposits	\$ 1,749,205
Investments in short-term government liquid asset funds	6,203,147
Cash on hand	<u>375</u>
<b>Total deposits and investments</b>	<b><u><u>\$ 7,952,727</u></u></b>

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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State statutes authorize the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments:

<b><u>Deposit/Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>	<b><u>Rating</u></b>
Bank deposits	n/a	\$ 1,749,205	n/a
Petty cash	n/a	375	n/a
Michigan Liquid Asset Fund	n/a	<u>6,203,147</u>	S&P – AAAm
		<b><u>\$ 7,952,727</u></b>	

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,574,644 of the District's bank balance of \$1,774,644 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### **B. Receivables**

Receivables in the governmental activities are 91 percent due from other governments and 9 percent other receivables.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### C. Capital assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	<b>Balance July 1, 2004</b>	<b>Additions</b>	<b>Transfers</b>	<b>Prior Period Adjustment</b>	<b>Disposals</b>	<b>Balance June 30, 2005</b>
<b>Capital assets not being depreciated</b>						
Land	\$ 2,660,623	\$ -	\$ -	\$ -	\$ -	\$ 2,660,623
Construction-in-progress	<u>23,524,539</u>	<u>7,060,343</u>	<u>(23,524,539)</u>	<u>-</u>	<u>-</u>	<u>7,060,343</u>
<b>Total capital assets not being depreciated</b>	<b><u>26,185,162</u></b>	<b><u>7,060,343</u></b>	<b><u>(23,524,539)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,720,966</u></b>
<b>Capital assets being depreciated</b>						
Land improvements	709,146	-	1,255,851	-	-	1,964,997
Buildings and additions	11,652,558	-	22,268,688	-	(47,000)	33,874,246
Buses and other vehicles	642,472	-	-	-	-	642,472
Furniture and equipment	<u>2,343,669</u>	<u>85,882</u>	<u>-</u>	<u>(85,972)</u>	<u>-</u>	<u>2,343,579</u>
<b>Total capital assets being depreciated</b>	<b><u>15,347,845</u></b>	<b><u>85,882</u></b>	<b><u>23,524,539</u></b>	<b><u>(85,972)</u></b>	<b><u>(47,000)</u></b>	<b><u>38,825,294</u></b>
<b>Accumulated depreciation</b>						
Land improvements	(284,028)	(58,085)	-	-	-	(342,113)
Buildings and additions	(4,601,356)	(664,939)	-	-	-	(5,266,295)
Buses and other vehicles	(438,255)	(46,208)	-	-	-	(484,463)
Furniture and equipment	<u>(870,879)</u>	<u>(227,252)</u>	<u>-</u>	<u>7,574</u>	<u>-</u>	<u>(1,090,557)</u>
<b>Total accumulated depreciation</b>	<b><u>(6,194,518)</u></b>	<b><u>(996,484)</u></b>	<b><u>-</u></b>	<b><u>7,574</u></b>	<b><u>-</u></b>	<b><u>(7,183,428)</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>9,153,327</u></b>	<b><u>(910,602)</u></b>	<b><u>23,524,539</u></b>	<b><u>(78,398)</u></b>	<b><u>(47,000)</u></b>	<b><u>31,641,866</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$35,338,489</u></b>	<b><u>\$ 6,149,741</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (78,398)</u></b>	<b><u>\$ (47,000)</u></b>	<b><u>\$41,362,832</u></b>

Depreciation expense for the fiscal year ended June 30, 2005 amounted to \$996,484. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### D. Payables

Payables in governmental activities are 50 percent vendors, 34 percent-accrued payroll, 5 percent to the Michigan Employees Retirement System and 11 percent accrued payroll withholding.

### E. Interfund receivables, payables and transfers

The following balances at June 30, 2005, represent individual fund interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Due To/From</b>		
General Fund	\$ 4,054	\$ 6,239
Nonmajor Funds		
Food Service Fund	1,976	-
Athletics Funds	3,823	4,054
Fiduciary Fund		
Agency Fund	<u>440</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 10,293</u></b>	<b><u>\$ 10,293</u></b>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

For the year then ended, interfund transfers consisted of the following:

Transfer from General Fund to 2001 Bond Construction Capital Project Fund	\$ 366,710
Transfer from General Fund to Nonmajor Athletics Special Revenue Fund	240,143
Transfer from General Fund to Nonmajor Community Schools Activities Special Revenue Fund	<u>87,324</u>
	<b><u>\$ 694,177</u></b>

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2005, the District transferred funds to subsidize the construction costs in the 2001 Bond Construction Capital Project Fund and to subsidize operations of the athletic and community schools activity programs.

### F. Long-term debt

Long-term debt of the District consists of the following:

	<b>Balance July 1, 2004</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance June 30, 2005</b>	<b>Due Within One Year</b>
Bonds payable	\$ 33,626,122	\$ -	\$ (1,350,393)	\$ 32,275,729	\$ 1,494,421
Contracts payable	194,400	-	(48,600)	145,800	48,600
Retirement incentives	592,000	-	(118,400)	473,600	118,400
Compensated absences	264,834	43,704	-	308,538	106,888
Other obligations	<u>4,150,323</u>	<u>135,473</u>	<u>-</u>	<u>4,285,796</u>	<u>599,505</u>
<b>Total</b>	<b><u>\$ 38,827,679</u></b>	<b><u>\$ 179,177</u></b>	<b><u>\$ (1,517,393)</u></b>	<b><u>\$ 37,489,463</u></b>	<b><u>\$ 2,367,814</u></b>

Long-term debt at June 30, 2005 includes the following:

#### General Obligation Bonds

2001 School Building and Site Bonds due in annual installments ranging from \$925,000 to \$2,175,000 with interest rates ranging from 4.50% to 5.88%; final payment due May 1, 2026.

\$ 29,225,000

1991 School Building and Site Capital Appreciation Bonds due in annual installments ranging from \$204,421 to \$337,185 with interest rates ranging from 7.15% to 7.30%; final payment due May 1, 2013.

2,394,340

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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1977 School Building and Site Bonds due in annual installments of \$250,000 with interest charged at 5.50%; final payment due May 1, 2007. \$ 500,000

1993 Refunding Bonds due in an annual installment of \$115,000 with interest charged at 5.3%; final payment due May 1, 2006. 115,000

Total general obligation bonds 32,234,340

### **Durant Resolution Bond**

1998 series, school improvement bond due in annual installments ranging from \$2,854 to \$20,548 with interest charged at 3.02%. This bond is a self-liquidating bond. The principal and interest is payable solely through annual appropriations by the State of Michigan. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Final payment is due May 15, 2013. 41,389

**Total bonds** **32,275,729**

### **Contracts Payable**

1997 Heating System Installment Contract Payable is due in annual installments of \$48,600 plus interest charged at 4.97%; final payment due September 25, 2007. 145,800

Early retirement incentives due in annual installments of \$118,400 through 2009. 473,600

Accrued compensated absences 308,538

Other obligations 4,285,796

**Total long-term debt** **\$ 37,489,463**

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. During the year ended June 30, 2003, the State postponed all Durant debt service requirements. No debt service is required for May 15, 2003, 2004 or 2005. The debt service payments will resume in 2006.

The early retirement incentives and compensated absences are generally liquidated by the General Fund.

Other obligations consist of accrued interest on bonds payable of \$263,275 and accreted interest on the capital appreciation bonds of \$4,022,521 at June 30, 2005.

The annual requirements to service the bonds and contracts payable outstanding (not including accrued compensated absences and other obligations payable) to maturity, including both principal and interest, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,661,421	\$ 1,789,484	\$ 3,450,905
2007	1,624,157	1,858,929	3,483,086
2008	1,457,572	2,011,013	3,468,585
2009	1,401,582	2,020,172	3,421,754
2010	1,278,925	2,033,808	3,312,733
2011-2015	6,346,472	8,224,740	14,571,212
2016-2020	7,500,000	3,852,038	11,352,038
2021-2025	9,450,000	1,904,752	11,354,752
2026	<u>2,175,000</u>	<u>103,312</u>	<u>2,278,312</u>
<b>Total</b>	<b><u>\$ 32,895,129</u></b>	<b><u>\$ 23,798,248</u></b>	<b><u>\$ 56,693,377</u></b>

Interest expense and paying agent fees were \$1,973,142 for the year ended June 30, 2005.



# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### IV. OTHER INFORMATION

#### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous years assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the revolving tax fund of the applicable county. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

#### C. Defined benefit pension plan

##### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2005, 2004 and 2003 were \$817,928, \$774,880, and \$744,187, respectively, equal to the required contributions for each year.

### **Other Post-employment Benefits**

Retirees have the option of health coverage which is funded on a cash disbursement basis by the District. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid master health plan coverage and 90% paid dental plan, vision plan and hearing plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **D. School Building and Site Fund**

The School Improvement Capital Projects Fund includes capital projects activities funded with bonds issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

# HARBOR SPRINGS PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **E. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2005.

The District is obligated for construction contracts relating to building projects in the amount of approximately \$940,000 at June 30, 2005. Of this amount, approximately \$669,000 was accrued at year-end.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

# HARBOR SPRINGS PUBLIC SCHOOLS

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Funds		
	Food Service	Athletics	Community Schools
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,466	\$ 2,410	\$ 12,925
Investments	12,385	5	125,633
Due from other funds	1,976	3,823	-
Inventory	2,065	-	-
<b>Total assets</b>	<b>\$ 39,892</b>	<b>\$ 6,238</b>	<b>\$ 138,558</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,088	\$ 1,684	\$ 415
Due to other funds	-	4,054	-
<b>Total liabilities</b>	<b>4,088</b>	<b>5,738</b>	<b>415</b>
<b>Fund balances</b>			
Reserved for inventory	2,065	-	-
Reserved for debt service	-	-	-
Unreserved, undesignated	33,739	500	138,143
<b>Total fund balances</b>	<b>35,804</b>	<b>500</b>	<b>138,143</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,892</b>	<b>\$ 6,238</b>	<b>\$ 138,558</b>

Debt Service Funds				Total Nonmajor Governmental Funds
1977 Bond Issue	1991 Bond Issue	1993 Bond Issue	Durant Settlement	
\$ 20,921	\$ 33,473	\$ 12,119	\$ -	\$ 105,314
83,210	34,228	38,373	-	293,834
-	-	-	-	5,799
-	-	-	-	2,065
<b>\$ 104,131</b>	<b>\$ 67,701</b>	<b>\$ 50,492</b>	<b>\$ -</b>	<b>\$ 407,012</b>

\$ -	\$ -	\$ -	\$ -	\$ 6,187
-	-	-	-	4,054
-	-	-	-	<b>10,241</b>

-	-	-	-	2,065
104,131	67,701	50,492	-	222,324
-	-	-	-	172,382
<b>104,131</b>	<b>67,701</b>	<b>50,492</b>	<b>-</b>	<b>396,771</b>
<b>\$ 104,131</b>	<b>\$ 67,701</b>	<b>\$ 50,492</b>	<b>\$ -</b>	<b>\$ 407,012</b>

# HARBOR SPRINGS PUBLIC SCHOOLS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		
	Food Service	Athletics	Community Schools
<b>Revenues</b>			
Local sources			
Property taxes	\$ -	\$ -	\$ -
Charges for services	180,824	31,015	240,100
Interest income	892	64	2,407
Other	640	-	-
State sources	13,003	-	3,213
Federal sources	80,549	-	-
<b>Total revenues</b>	<b>275,908</b>	<b>31,079</b>	<b>245,720</b>
<b>Expenditures</b>			
Community services	-	-	305,066
Food services	268,752	-	-
Athletics	-	271,222	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
<b>Total expenditures</b>	<b>268,752</b>	<b>271,222</b>	<b>305,066</b>
<b>Revenues over (under) expenditures</b>	<b>7,156</b>	<b>(240,143)</b>	<b>(59,346)</b>
<b>Other financing sources (uses)</b>			
<b>Transfers in</b>	<b>-</b>	<b>240,143</b>	<b>87,324</b>
<b>Changes in fund balances</b>	<b>7,156</b>	<b>-</b>	<b>27,978</b>
Fund balances, beginning of year	28,648	500	110,165
<b>Fund balances, end of year</b>	<b>\$ 35,804</b>	<b>\$ 500</b>	<b>\$ 138,143</b>

Debt Service Funds				Total Nonmajor Governmental Funds
1977 Bond Issue	1991 Bond Issue	1993 Bond Issue	Durant Settlement	
\$ 294,001	\$ 513,466	\$ 119,667	\$ -	\$ 927,134
-	-	-	-	451,939
3,409	5,168	1,931	-	13,871
-	-	-	-	640
-	-	-	-	16,216
-	-	-	-	80,549
<b>297,410</b>	<b>518,634</b>	<b>121,598</b>	<b>-</b>	<b>1,490,349</b>
-	-	-	-	305,066
-	-	-	-	268,752
-	-	-	-	271,222
225,000	200,392	125,000	-	550,392
40,265	330,108	13,395	-	383,768
<b>265,265</b>	<b>530,500</b>	<b>138,395</b>	<b>-</b>	<b>1,779,200</b>
<b>32,145</b>	<b>(11,866)</b>	<b>(16,797)</b>	<b>-</b>	<b>(288,851)</b>
-	-	-	-	<b>327,467</b>
<b>32,145</b>	<b>(11,866)</b>	<b>(16,797)</b>	<b>-</b>	<b>38,616</b>
71,986	79,567	67,289	-	358,155
<b>\$ 104,131</b>	<b>\$ 67,701</b>	<b>\$ 50,492</b>	<b>\$ -</b>	<b>\$ 396,771</b>



# HARBOR SPRINGS PUBLIC SCHOOLS

## BALANCE SHEET GENERAL FUND

JUNE 30, 2005  
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,101,039	\$ 1,726,755
Investments	2,454,184	1,696,589
Accounts receivable	2,535	22,939
Interest receivable	13,370	-
Due from other funds	4,054	12,912
Due from other governmental units	170,203	319,851
Inventory	15,679	14,323
<b>Total assets</b>	<b><u>\$ 3,761,064</u></b>	<b><u>\$ 3,793,369</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,485	\$ 4,158
Salaries payable	458,706	524,308
Accrued expenses	226,772	219,897
Due to other funds	6,239	8,580
Deferred revenue	172,901	208,311
<b>Total liabilities</b>	<b><u>872,103</u></b>	<b><u>965,254</u></b>
<b>Fund balance</b>		
Reserved for inventory	15,679	14,323
Unreserved		
Designated for retirement incentive	592,000	592,000
Undesignated	2,281,282	2,221,792
<b>Total fund balance</b>	<b><u>2,888,961</u></b>	<b><u>2,828,115</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 3,761,064</u></b>	<b><u>\$ 3,793,369</u></b>

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF REVENUES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	2005	2004
<b>Revenues</b>		
<b>Local sources</b>		
Property taxes	\$ 8,296,443	\$ 7,761,970
Tuition	24,234	48,184
Charges for services	103,891	98,317
Interest	75,935	46,846
Other local revenue	58,532	74,177
<b>Total local sources</b>	<b>8,559,035</b>	<b>8,029,494</b>
<b>State sources</b>		
State school aid	728,125	1,304,755
At-risk	72,609	90,122
Other state revenue	27,422	27,113
<b>Total state sources</b>	<b>828,156</b>	<b>1,421,990</b>
<b>Federal sources</b>		
Title I	108,147	127,854
Title II-A	44,168	49,777
Title II-D	2,963	2,835
Title V	700	897
Title IX	14,623	17,654
Other	6,942	7,704
<b>Total federal sources</b>	<b>177,543</b>	<b>206,721</b>
<b>Interdistrict sources</b>	<b>530,886</b>	<b>463,453</b>
<b>Other financing sources</b>		
Transfers in	-	-
<b>Total revenues</b>	<b>\$ 10,095,620</b>	<b>\$ 10,121,658</b>

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	2005	2004
<b>Expenditures</b>		
<b>Instruction</b>		
<b>Basic programs</b>		
<b>Preschool</b>		
Salaries	\$ 33,581	\$ 47,542
Employee benefits	21,153	21,713
Supplies and materials	912	834
Other	-	35
<b>Total preschool</b>	<b>55,646</b>	<b>70,124</b>
<b>Elementary</b>		
Salaries	1,374,139	1,584,589
Employee benefits	743,683	705,206
Purchased services	2,856	2,181
Supplies and materials	54,453	49,131
Capital outlay	19,323	24,013
Other	1,161	1,210
<b>Total elementary</b>	<b>2,195,615</b>	<b>2,366,330</b>
<b>Elementary - Title II A</b>		
Salaries	15,189	32,162
Employee benefits	8,632	9,572
Supplies and materials	-	946
Capital outlay	-	2,811
<b>Total elementary - Title II A</b>	<b>23,821</b>	<b>45,491</b>
<b>Middle school</b>		
Salaries	783,686	772,589
Employee benefits	367,719	322,076
Purchased services	646	1,679
Supplies and materials	16,565	39,066
Capital outlay	-	1,020
Other	753	650
<b>Total middle school</b>	<b>1,169,369</b>	<b>1,137,080</b>
<b>High school</b>		
Salaries	987,727	1,035,000
Employee benefits	494,401	469,507
Purchased services	4,726	5,099
Supplies and materials	36,147	53,578
Capital outlay	30,000	3,893
Other	2,166	2,283
<b>Total high school</b>	<b>1,555,167</b>	<b>1,569,360</b>
<b>Drivers' education</b>		
Salaries	4,404	12,751
Employee benefits	339	2,274
Supplies and materials	1,452	448
<b>Total drivers' education</b>	<b>6,195</b>	<b>15,473</b>
<b>Summer school</b>		
Salaries	1,657	3,521
Employee benefits	343	728
<b>Total summer school</b>	<b>2,000</b>	<b>4,249</b>
<b>Total basic programs</b>	<b>5,007,813</b>	<b>5,208,107</b>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
<b>Instruction</b>		
<b>Added needs</b>		
<b>Special education</b>		
Salaries	\$ 346,126	\$ 418,986
Employee benefits	167,155	174,975
Purchased services	-	178
Supplies and materials	2,061	5,379
Capital outlay	-	8,739
<b>Total special education</b>	<u>515,342</u>	<u>608,257</u>
<b>Compensatory education</b>		
<b>Title I</b>		
Salaries	76,589	78,163
Employee benefits	29,143	46,409
Purchased services	2,417	1,280
Supplies and materials	-	2,003
Capital outlay	-	10,111
<b>Total Title I</b>	<u>108,149</u>	<u>137,966</u>
<b>At-risk</b>		
Salaries	47,454	47,735
Employee benefits	19,470	21,601
Purchased services	1,885	4,465
Supplies and materials	3,799	6,211
<b>Total At-risk</b>	<u>72,608</u>	<u>80,012</u>
<b>Drug Free Schools</b>		
<b>Purchased services</b>	<u>2,875</u>	<u>2,448</u>
<b>Indian education</b>		
Salaries	7,799	18,134
Employee benefits	6,825	8,336
Purchased services	-	2,523
Supplies and materials	-	1,285
<b>Total indian education</b>	<u>14,624</u>	<u>30,278</u>
<b>Total compensatory education</b>	<u>198,256</u>	<u>250,704</u>
<b>Vocational education</b>		
<b>Technical maintenance</b>		
Salaries	24,621	26,859
Employee benefits	12,624	10,132
Purchased services	2,672	5,067
Supplies and materials	10,768	7,649
<b>Total technical maintenance</b>	<u>50,685</u>	<u>49,707</u>
<b>BST</b>		
Salaries	580	-
Employee benefits	119	-
Purchased services	632	3,443
Supplies and materials	6,452	4,857
Capital outlay	8,231	2,096
<b>Total BST</b>	<u>16,014</u>	<u>10,396</u>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	2005	2004
<b>Added cost - BST</b>		
Supplies and materials	\$ -	\$ 14,107
Capital outlay	9,504	30,251
<b>Total added cost - BST</b>	<b>9,504</b>	<b>44,358</b>
<b>VI</b>		
Salaries	-	1,650
Employee benefits	-	340
Purchased services	842	734
Supplies and materials	-	6,187
Capital outlay	16,668	15,532
<b>Total VI</b>	<b>17,510</b>	<b>24,443</b>
<b>Added cost - visual imaging</b>		
Purchased services	237	-
Supplies and materials	5,200	7,847
<b>Total added cost - visual imaging</b>	<b>5,437</b>	<b>7,847</b>
<b>Connectivity</b>		
Purchased services	12,011	5,192
Supplies and materials	4,921	-
Capital outlay	10,203	-
<b>Total connectivity</b>	<b>27,135</b>	<b>5,192</b>
<b>Woodworking</b>		
Salaries	5,640	3,120
Employee benefits	1,216	644
Purchased services	247	3,684
Supplies and materials	950	2,174
Capital outlay	-	7,068
<b>Total woodworking</b>	<b>8,053</b>	<b>16,690</b>
<b>Added cost - woodworking</b>		
Purchased services	3,492	-
Supplies and materials	6,178	13,777
Capital outlay	3,504	-
<b>Total added cost - woodworking</b>	<b>13,174</b>	<b>13,777</b>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	2005	2004
<b>Drafting</b>		
Purchased services	\$ 2,757	\$ 887
Supplies and materials	2,411	5,220
Capital outlay	9,164	13,243
<b>Total drafting</b>	<b>14,332</b>	<b>19,350</b>
<b>Added cost - drafting</b>		
Supplies and materials	188	8,049
Capital outlay	5,499	-
<b>Total added cost - drafting</b>	<b>5,687</b>	<b>8,049</b>
<b>Total vocational education</b>	<b>167,531</b>	<b>199,809</b>
<b>Gifted and talented</b>		
Salaries	21,603	23,052
Employee benefits	18,511	16,257
Purchased services	-	-
Supplies and materials	295	999
Other	295	900
<b>Total gifted and talented</b>	<b>40,704</b>	<b>41,208</b>
<b>Alternative education</b>		
Employee benefits	-	5
<b>Total added needs</b>	<b>921,833</b>	<b>1,099,983</b>
<b>Total instruction</b>	<b>5,929,646</b>	<b>6,308,090</b>
<b>Supporting services</b>		
<b>Pupil services</b>		
<b>Guidance</b>		
Salaries	144,485	141,760
Employee benefits	60,366	56,463
Purchased services	-	272
Supplies and materials	12,242	6,674
<b>Total guidance</b>	<b>217,093</b>	<b>205,169</b>
<b>Other pupil services</b>		
Salaries	36,865	33,815
Employee benefits	9,566	8,736
<b>Total other pupil services</b>	<b>46,431</b>	<b>42,551</b>
<b>Total pupil services</b>	<b>263,524</b>	<b>247,720</b>
<b>Instructional staff services</b>		
<b>Improvement of instruction</b>		
Salaries	6,250	15,831
Employee benefits	1,414	3,221
Purchased services	3,510	8,712
Other	6,903	6,930
<b>Total improvement of instruction</b>	<b>18,077</b>	<b>34,694</b>

Continued...

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<b>2005</b>	<b>2004</b>
<b>Improvement of instruction - Title II A</b>		
Salaries	\$ 15,690	\$ -
Employee benefits	3,387	-
Purchased services	-	4,286
Supplies and materials	1,271	-
<b>Total improvement of instruction - Title II A</b>	<b>20,348</b>	<b>4,286</b>
<b>Improvement of instruction - Title II D</b>		
Supplies and materials	<b>2,963</b>	<b>2,835</b>
<b>Library</b>		
Salaries	101,527	107,147
Employee benefits	58,279	51,035
Purchased services	700	1,146
Supplies and materials	20,136	21,955
Capital outlay	71	3,495
<b>Total library</b>	<b>180,713</b>	<b>184,778</b>
<b>Technology</b>		
Salaries	33,167	35,250
Employee benefits	17,926	18,087
Purchased services	4,369	7,843
Supplies and materials	6,462	14,675
Capital outlay	19,774	10,203
<b>Total technology</b>	<b>81,698</b>	<b>86,058</b>
<b>Total instructional staff services</b>	<b>303,799</b>	<b>312,651</b>
<b>General administration</b>		
<b>Board of education</b>		
Salaries	-	441
Benefits	-	105
Purchased services	57,119	89,739
Supplies and materials	3,131	17,949
Other	1,973	7,346
<b>Total board of education</b>	<b>62,223</b>	<b>115,580</b>
<b>Executive administration</b>		
Salaries	177,224	173,891
Employee benefits	106,912	82,288
Purchased services	14,130	14,108
Supplies and materials	5,440	7,496
Other	50	369
<b>Total executive administration</b>	<b>303,756</b>	<b>278,152</b>
<b>Total general administration</b>	<b>365,979</b>	<b>393,732</b>
<b>School administration</b>		
<b>Office of the principal</b>		
Salaries	397,375	454,982
Employee benefits	241,410	206,715
Purchased services	13,777	13,513
Supplies and materials	5,435	6,329
Other	1,044	2,452
<b>Total school administration</b>	<b>659,041</b>	<b>683,991</b>

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
<b>Business services</b>		
<b>Fiscal services</b>		
Salaries	\$ 57,228	\$ 54,106
Employee benefits	26,798	23,806
Purchased services	32,965	32,673
Supplies and materials	732	1,202
Other	153	153
	<u>117,876</u>	<u>111,940</u>
<b>Total business services</b>	<u>117,876</u>	<u>111,940</u>
<b>Operation maintenance</b>		
Salaries	376,461	375,369
Employee benefits	216,119	195,808
Purchased services	267,757	284,602
Supplies and materials	362,025	355,711
Capital outlay	1,976	27,908
	<u>1,224,338</u>	<u>1,239,398</u>
<b>Total operation and maintenance</b>	<u>1,224,338</u>	<u>1,239,398</u>
<b>Transportation</b>		
Salaries	175,019	172,122
Employee benefits	82,232	73,528
Purchased services	20,389	18,184
Supplies and materials	59,760	46,008
Capital outlay	-	985
Other	105	100
	<u>337,505</u>	<u>310,927</u>
<b>Total transportation</b>	<u>337,505</u>	<u>310,927</u>
<b>Total support services</b>	<u>3,272,062</u>	<u>3,300,359</u>
<b>Other transactions</b>		
Transfer to other school district	<u>80,500</u>	<u>94,512</u>
<b>Total operating expenditures</b>	<u>9,282,208</u>	<u>9,702,961</u>
<b>Debt service</b>		
Principal	48,600	77,224
Interest and fiscal charges	9,789	15,762
	<u>58,389</u>	<u>92,986</u>
<b>Total debt service</b>	<u>58,389</u>	<u>92,986</u>
<b>Total expenditures</b>	<u>9,340,597</u>	<u>9,795,947</u>
<b>Other financing uses</b>		
Transfers out	<u>694,177</u>	<u>309,820</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 10,034,774</u>	<u>\$ 10,105,767</u>

Concluded



# HARBOR SPRINGS PUBLIC SCHOOLS

## COMBINING STATEMENT OF NET ASSETS FIDUCIARY FUNDS

JUNE 30, 2005

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	Private Purpose Trusts		Total Private Purpose Trust Funds	Agency Funds	Totals	
	Shay Scholarship Fund	Midshipmen Drum and Bugle Fund			2005	2004
<b>Assets</b>						
Cash and cash equivalents	\$ 22	\$ 2	\$ 24	\$ 667	\$ 691	\$ -
Investments	55,238	5,265	60,503	276,257	336,760	310,963
Due from other funds	-	-	-	440	440	-
<b>Total assets</b>	<b>55,260</b>	<b>5,267</b>	<b>60,527</b>	<b>277,364</b>	<b>337,891</b>	<b>310,963</b>
<b>Liabilities</b>						
Due to student groups	-	-	-	211,127	211,127	173,165
Scholarships payable	-	-	-	13,362	13,362	1,337
Due to others	-	-	-	52,875	52,875	75,570
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>277,364</b>	<b>277,364</b>	<b>250,072</b>
<b>Net assets</b>						
Restricted for endowments	52,529	3,437	55,966	-	55,966	55,966
Restricted for scholarships	731	1,830	2,561	-	2,561	2,925
Unrestricted	2,000	-	2,000	-	2,000	2,000
<b>Total net assets</b>	<b>\$ 55,260</b>	<b>\$ 5,267</b>	<b>\$ 60,527</b>	<b>\$ -</b>	<b>\$ 60,527</b>	<b>\$ 60,891</b>

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Balances July 1, 2004</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balances June 30, 2005</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 667	\$ -	667
Investments	250,072	402,552	376,367	276,257
Due from other funds	-	440	-	\$ 440
<b>Total assets</b>	<b>\$ 250,072</b>	<b>\$ 403,659</b>	<b>\$ 376,367</b>	<b>\$ 277,364</b>
<b>LIABILITIES</b>				
Due to student groups	\$ 191,582	\$ 313,384	\$ 293,839	\$ 211,127
Scholarships payable	1,337	19,525	7,500	13,362
Due to others	57,153	70,750	75,028	52,875
<b>Total liabilities</b>	<b>\$ 250,072</b>	<b>\$ 403,659</b>	<b>\$ 376,367</b>	<b>\$ 277,364</b>

The balances consist of the following:

**Due to student groups**

Adopt a school	\$ -	\$ 1,230	\$ 1,230	\$ -
Birthday book club	669	2,090	2,396	363
Blackbird fundraiser	18,099	19,347	19,881	17,565
Blackbird pop fund	318	7,950	6,522	1,746
Blackbird music fund	-	1,669	1,632	37
Book deposits - Class of 2002	25	(25)	-	-
Book deposits - Class of 2004	380	(324)	56	-
Book deposits - Class of 2005	2,344	213	1,754	803
Book deposits - Class of 2006	1,973	158	-	2,131
Book deposits - Class of 2007	150	235	-	385
Book deposits - Class of 2008	-	306	-	306
CASA	-	26,924	3,994	22,930
Choir	5	-	-	5
Class of 1989	992	18	-	1,010
Class of 1992	422	8	-	430
Class of 1994	169	4	-	173
Class of 1996	739	14	-	753
Class of 1997	646	12	-	658
Class of 1998	1,753	34	-	1,787
Class of 1999	705	13	-	718
Class of 2000	392	7	-	399
Class of 2001	88	1	-	89
Class of 2002	1,647	31	-	1,678
Class of 2003	885	16	-	901
Class of 2004	1,591	37	500	1,128
Class of 2005	3,285	58	1,948	1,395
Class of 2006	3,407	5,806	4,499	4,714

Continued...

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
Class of 2007	\$ 571	\$ 1,606	\$ 873	\$ 1,304
Class of 2008	-	353	48	305
Dance club	-	2,078	1,971	107
Drama club	(2,394)	23,200	13,111	7,695
Echoes	343	10	-	353
F.F.A.	523	15	-	538
Girls on the run	794	5,336	5,752	378
Harbor Springs baseball	40	1,686	1,798	(72)
Harbor Springs varsity boys soccer	1,888	1,177	1,747	1,318
Harbor Springs boys tennis	1,321	3,327	3,968	680
Harbor Springs football	1,621	3,382	3,965	1,038
Harbor Springs girls soccer	230	6	-	236
Harbor Springs girls tennis	675	982	830	827
Harbor Springs girls track	540	14,759	14,123	1,176
Harbor Springs wrestling club	808	24	-	832
High school basketball	7,062	8,267	6,887	8,442
High school golf	4,270	109	458	3,921
High school student and staff support	458	11,562	11,522	498
High school volleyball	1,770	716	1,062	1,424
Key club	1,814	452	410	1,856
Michigan youth and government	124	12,550	13,680	(1,006)
Middle school activities	3,460	3,198	6,064	594
Middle school book deposits	9,538	2,212	-	11,750
Middle school job skills	359	11	-	370
Middle school magazine	25,102	28,327	26,231	27,198
Middle school pep club	27	(27)	-	-
Middle school boosters	875	2,782	1,912	1,745
Middle school science boosters	51	(51)	-	-
Middle school seventh grade team	1,650	9,215	8,926	1,939
Middle school sixth grade team	1,154	1,913	1,850	1,217
Middle school tackle football	844	2,296	2,362	778
Middle school volleyball	414	1,431	1,388	457
National honor society	25	2,148	1,905	268
Preschool fundraiser	677	1,039	-	1,716
Rampage yearbook	717	5,382	1,506	4,593
Shay student council	812	24	-	836
Shay carnival	13,377	16,403	16,435	13,345
Shay enrichment	8,853	2,223	4,320	6,756
Shay fund raiser	9,864	29,642	30,750	8,756
Shay scholarship	(500)	500	-	-
Shay multi-age	20	-	-	20
Shay pop machine account	13,655	5,323	10,557	8,421
Ski club	16,847	17,338	23,572	10,613
Snowboard club	4,634	56	4,150	540

Continued...

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
Spanish club	\$ 790	\$ 446	917	\$ 319
Special art fund	27	-	-	27
Special education high school	100	2	35	67
Stafford trip	1,139	9,176	8,979	1,336
Strive	7,591	1,795	4,298	5,088
Student council	439	329	377	391
Student council - junior high	2,408	418	349	2,477
Students offering support	28	(28)	-	-
Text books - fees and fines	-	1,135	-	1,135
Women's basketball	3,463	11,297	10,339	4,421
<b>Total due to student groups</b>	<b>191,582</b>	<b>313,384</b>	<b>293,839</b>	<b>211,127</b>
<b>Scholarship payable</b>				
Athletic Boosters Scholarship	-	12,000	-	12,000
Mary Kay Farley scholarship	1,337	7,525	7,500	1,362
<b>Total scholarship payable</b>	<b>1,337</b>	<b>19,525</b>	<b>7,500</b>	<b>13,362</b>
<b>Due to others</b>				
Alumni	1,275	38	-	1,313
Athletic boosters	23,591	5,719	10,680	18,630
Band activities	9,648	31,804	36,038	5,414
Benny Davis - books	48	63	55	56
Benny Davis - clothing	11	63	17	57
Benny Davis - undesignated	13,000	-	-	13,000
Elementary library	1,640	823	1,095	1,368
Community schools miscellaneous	16	-	16	-
Community tennis	1,609	46	-	1,655
Harbor Springs recreational soccer	5	6,795	6,783	17
High school community adult band	8,913	2,071	1,556	9,428
Interest	2,715	5,861	8,179	397
PAC/CAC	1,872	5,348	5,919	1,301
RIF program	464	1,275	1,500	239
Skate park	-	3,190	3,190	-
Trackbuilders	(7,654)	7,654	-	-
<b>Total due to others</b>	<b>57,153</b>	<b>70,750</b>	<b>75,028</b>	<b>52,875</b>
<b>Total liabilities</b>	<b>\$ 250,072</b>	<b>\$ 403,659</b>	<b>\$ 376,367</b>	<b>\$ 277,364</b>

Concluded

## **OTHER SUPPLEMENTARY INFORMATION**

# HARBOR SPRINGS PUBLIC SCHOOLS

## SELECTED STATISTICAL DATA YEARS ENDED JUNE 30, 1996 - JUNE 30, 2005

SOURCE: ANNUAL AUDITED STATEMENTS

	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001
Total taxable value	\$ 890,397,191	\$ 826,235,488	\$ 779,792,946	\$ 719,662,746	\$ 658,079,880
Non-homestead taxable value	\$ 599,531,913	\$ 554,324,752	\$ 524,006,930	\$ 490,157,226	\$ 451,272,011
Blended student count	1,149	1,149	1,119	1,075	1,051
Taxable value per student	\$ 774,932	\$ 718,784	\$ 693,405	\$ 669,454	\$ 626,146
Per pupil foundation allowance	\$ 8,000	\$ 8,000	\$ 8,000	\$ 7,511	\$ 7,248
Millage levied					
Operations - non-homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	3.7400	3.7400	3.7400	2.7000	1.1300
Hold-harmless and enhancement	-	-	-	-	-
Property tax revenues					
Operations	\$ 8,296,443	\$ 7,761,970	\$ 7,331,433	\$ 6,857,839	\$ 6,313,792
Debt	\$ 3,336,437	\$ 3,119,046	\$ 2,908,379	\$ 1,938,234	\$ 741,542
Hold-harmless and enhancement	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid - Foundation grant (Excluding categoricals)	\$ 708,952	\$ 1,196,638	\$ 1,431,180	\$ 1,543,364	\$ 1,565,336
Other General Fund data					
Total fund balance	\$ 2,888,961	\$ 2,827,035	\$ 2,812,224	\$ 3,203,718	\$ 2,876,636
Total local revenues	\$ 8,559,035	\$ 8,031,091	\$ 7,500,837	\$ 7,020,175	\$ 6,612,566
Total state revenues	\$ 828,156	\$ 1,419,313	\$ 1,690,099	\$ 1,735,587	\$ 1,897,700
Total expenditures	\$ 9,340,597	\$ 9,795,947	\$ 9,461,229	\$ 8,721,337	\$ 8,512,000
Long-term debt data					
Bonds payable	\$ 32,275,729	\$ 33,626,122	\$ 35,101,122	\$ 36,306,122	\$ 5,661,966
Contracts payable and retirement incentives	\$ 619,400	\$ 786,400	\$ 271,624	\$ 393,522	\$ 503,324
Compensated absences	\$ 308,538	\$ 264,834	\$ 411,254	\$ 251,300	\$ 237,056
Special millage - enhancement					
Balance unspent at year end					
Expenditure category					
Working capital	\$ -	\$ -	\$ -	\$ -	\$ -
General operations	\$ -	\$ -	\$ -	\$ 223,366	\$ 263,242
Building maintenance	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation	\$ -	\$ -	\$ -	\$ -	\$ -
District technology	\$ -	\$ -	\$ -	\$ -	\$ -

NOTE: The fiscal year ended June 30, 1995 was the first year that state education tax was levied.

Year Ended June 30, 2000	Year Ended June 30, 1999	Year Ended June 30, 1998	Year Ended June 30, 1997	Year Ended June 30, 1996
\$ 617,141,351	\$ 584,994,663	\$ 562,489,596	\$ 540,861,619	\$ 522,814,047
\$ 414,714,033	\$ 397,952,497	\$ 386,642,742	\$ 373,803,072	\$ 358,727,844
1,043	1,030	1,045	1,053	1,025
\$ 591,698	\$ 567,955	\$ 538,268	\$ 513,638	\$ 510,062
\$ 7,081	\$ 6,962	\$ 6,962	\$ 6,808	\$ 6,653
13.9911	13.8963	13.9900	13.9900	13.9900
1.1700	1.1800	1.1000	1.0700	1.0800
-	-	-	5.3509	-
\$ 5,802,711	\$ 5,530,068	\$ 5,409,131	\$ 5,229,506	\$ 5,018,603
\$ 719,625	\$ 689,858	\$ 618,014	\$ 578,007	\$ 563,880
\$ -	\$ -	\$ 575,000	\$ 1,860,382	\$ -
\$ 1,529,483	\$ 1,549,846	\$ 1,737,651	\$ 1,845,696	\$ 1,798,010
\$ 2,790,351	\$ 3,175,994	\$ 3,567,262	\$ 2,667,988	\$ 506,145
\$ 6,038,707	\$ 5,842,035	\$ 6,248,563	\$ 7,301,535	\$ 5,796,091
\$ 1,941,787	\$ 1,810,052	\$ 1,862,251	\$ 1,948,288	\$ 1,827,363
\$ 8,603,364	\$ 8,485,222	\$ 7,691,406	\$ 7,041,111	\$ 7,488,018
\$ 6,187,547	\$ 6,642,877	\$ 6,979,733	\$ 7,314,733	\$ 7,599,733
\$ 603,590	\$ 579,800	\$ 503,000	\$ 39,000	\$ 126,404
\$ 205,191	\$ 232,239	\$ 216,404	\$ 188,675	\$ 186,097
\$ -	\$ -	\$ -	\$ 455,880	\$ -
\$ 299,734	\$ 589,787	\$ 897,711	\$ 543,661	\$ -
\$ -	\$ 220,944	\$ 682,789	\$ 425,500	\$ -
\$ 6,623	\$ 76,726	\$ 186,999	\$ 92,500	\$ -
\$ 25,099	\$ 107,068	\$ 230,849	\$ 120,300	\$ -

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF BOND INDEBTEDNESS 1977 ISSUE

**JUNE 30, 2005**

Title of issue	1977 School Building and Site Bonds
Purpose	Erecting, furnishing and equipping additions to, and remodeling and partially re-equipping the existing high school, purchasing and installing technology systems and equipment therein, and developing and improving the site; partially remodeling and re-equipping the existing high school for middle school and administrative purposes; erecting, furnishing and equipping a new high school, purchasing and installing technology systems and equipment therein, and developing and improving the site.
Date of issue	September 1, 1977
Interest payable	May 1 and November 1 each year
Average interest rate	5.50%
Amount of issue	<u>\$ 3,650,000</u>
Less: Amounts redeemed	
Prior to current year	2,925,000
Current year	<u>225,000</u>
Total redeemed	<u>3,150,000</u>
Balance outstanding, June 30, 2005	<u><u>\$ 500,000</u></u>

Due dates	Interest Rate	Requirements		
		Total	Interest	Principal
November 1, 2005	5.50%	\$ 13,750	\$ 13,750	\$ -
May 1, 2006	5.50%	263,750	13,750	250,000
November 1, 2006	5.50%	6,875	6,875	-
May 1, 2007	5.50%	256,875	6,875	250,000
		<u><u>\$ 541,250</u></u>	<u><u>\$ 41,250</u></u>	<u><u>\$ 500,000</u></u>

Denominations \$5,000 each, numbered 1 to 730 inclusive

Redemption prior to maturity Bonds maturing on or after May 1, 1990, shall be subject to redemption prior to maturing, at the option of the District in inverse numerical order, on any one or more interest payment dates on or after May 1, 1989 at par and accrued interest to the date fixed for redemption, plus a premium on each bond so redeemed.

Premium on each bond redeemed prior to maturing			
Amount	On or After	Prior To	
\$ 100	May 1, 1989	April 30, 1995	
\$ 50	May 1, 1995	April 30, 2001	
\$ 50	May 1, 2001		

Tax levy Such ad valorem taxes as may be necessary to pay these bonds and the interest thereon, without limitation as to rate or amount.



# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF BOND INDEBTEDNESS 1991 ISSUE

**JUNE 30, 2005**

Title of issue	1991 School Building and Site Bonds
Purpose	Erecting, furnishing and equipping a playground and acquiring, developing, and improving a site therefore; and partially remodeling the existing elementary school and the middle-high school facility.
Date of issue	June 1, 1991
Interest payable	May 1 and November 1 each year
Average interest rate	7.19%
Amount of issue	\$ 4,449,733
Less: Amounts redeemed	
Prior to current year	1,855,000
Current year	200,393
Total redeemed	2,055,393
Balance outstanding, June 30, 2005	\$ 2,394,340

Due dates	Interest Rate	Requirements		
		Total	Interest	Principal
May 1, 2006	7.15%	\$ 540,653	\$ 336,232	\$ 204,421
May 1, 2007	7.20%	726,719	472,416	254,303
May 1, 2008	7.20%	1,034,194	697,009	337,185
May 1, 2009	7.25%	1,094,193	764,500	329,693
May 1, 2010	7.25%	1,159,384	834,053	325,331
May 1, 2011	7.30%	1,228,670	910,510	318,160
May 1, 2012	7.30%	1,303,117	989,027	314,090
May 1, 2013	7.30%	1,386,904	1,075,747	311,157
		<b>\$ 8,473,834</b>	<b>\$ 6,079,494</b>	<b>\$ 2,394,340</b>

Denominations \$5,000 each, numbered 1 to 890 inclusive

Redemption prior to maturity Bonds maturing on or after May 1, 2002, shall be subject to redemption prior to maturing, at the option of the District in inverse numerical order, on any one or more interest payment dates on or after May 1, 2001, at par and accrued interest to the date fixed for redemption, plus a premium on each bond so redeemed.

Premium on each bond redeemed prior to maturing			
	Amount	On or After	Prior To
	\$ 100	May 1, 2001	April 30, 2002
	\$ 50	May 1, 2002	April 30, 2003

Tax levy Such ad valorem taxes as may be necessary to pay these bonds and the interest thereon, without limitation as to rate or amount.

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULE OF BOND INDEBTEDNESS 1993 ISSUE

**JUNE 30, 2005**

Title of issue	1993 Refunding Bonds
Purpose	Refunding that portion of the District's 1986 School Building Bond dated July 1, 1986, which are due and payable May 1, 2006, and to pay the cost of issuance of the bonds.
Date of issue	August 1, 1993
Interest payable	May 1 and November 1 each year
Average interest rate	4.56%
Amount of issue	\$ 1,200,000
Less: Amounts redeemed	
Prior to current year	960,000
Current year	125,000
Total redeemed	1,085,000
Balance outstanding, June 30, 2005	\$ 115,000

Due dates	Interest Rate	Requirements		
		Total	Interest	Principal
November 1, 2005	5.30%	\$ 3,048	\$ 3,048	\$ -
May 1, 2006	5.30%	118,047	3,047	115,000
		<b>\$ 121,095</b>	<b>\$ 6,095</b>	<b>\$ 115,000</b>

Denominations \$5,000 each, numbered 1 to 240 inclusive

Redemption prior to maturity Bonds, or portions of bonds, in multiples of \$5,000 maturing on May 1, 2006 shall be subject to redemption prior to maturity, at the option of the District in inverse numerical order, on any one or more interest payment dates on or after May 1, 2003, at par and accrued interest to the date fixed for redemption, at the redemption price set forth in the following table:

Redemption Period	Redemption Price
May 1, 2004 and thereafter	100%

Tax levy Such ad valorem taxes as may be necessary to pay these bonds and the interest thereon, without limitation as to rate or amount.

## SCHEDULE OF BOND INDEBTEDNESS DURANT BOND

Title of issue	1998 School Improvement Bond
Purpose	Improvements to site, school buses, equipment, building improvement, remodeling of existing facilities and other section 1351a of Act 451 purposes. The District used the proceeds for building improvements, which meet the prescribed uses.
Date of issue	November 15, 1998
Interest payable	May 15 of each year
Average interest rate	3.01724%
Amount of issue	<u>\$ 64,785</u>
Less: Amounts redeemed	
Prior to current year	23,396
Current year	<u>-</u>
Total redeemed	<u>23,396</u>
Balance outstanding, June 30, 2005	\$ 41,389

Redemption prior to maturity	There is no provision for early redemption
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# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULES OF BOND INDEBTEDNESS 2001 ISSUE

**JUNE 30, 2005**

Title of issue	2001 School Building and Site Bond
Purpose	Erecting and equipping a new middle school connected to Shay Elementary School; additions to the high school including a new auditorium. Constructing a new track and public restrooms. Purchasing property for new middle school and for additional parking. Acquiring and installing instructional technology in school facilities. Developing and improving sites, playgrounds, and athletic facilities.
Date of issue	October 8, 2001
Interest payable	May 1 and November 1 each year
Average interest rate	4.75%
Amount of issue	<u>\$ 31,500,000</u>
Less: Amounts redeemed	
Prior to current year	1,475,000
Current year	<u>800,000</u>
Total redeemed	<u>2,275,000</u>
Balance outstanding, June 30, 2005	<u><u>\$ 29,225,000</u></u>

Due dates	Interest Rate	Requirements		
		Total	Interest	Principal
November 1, 2005	4.50%	\$ 703,931	\$ 703,931	\$ -
May 1, 2006	4.50%	1,628,931	703,931	925,000
November 1, 2006	5.88%	683,119	683,119	-
May 1, 2007	5.88%	1,633,119	683,119	950,000
November 1, 2007	5.88%	655,213	655,213	-
May 1, 2008	5.88%	1,605,213	655,213	950,000
November 1, 2008	5.88%	627,306	627,306	-
May 1, 2009	5.88%	1,577,306	627,306	950,000
November 1, 2009	5.88%	599,400	599,400	-
May 1, 2010	5.88%	1,549,400	599,400	950,000
November 1, 2010	5.88%	571,494	571,494	-
May 1, 2011	5.88%	1,521,494	571,494	950,000
November 1, 2011	4.00%	543,588	543,588	-
May 1, 2012	4.00%	1,493,588	543,588	950,000
November 1, 2012	4.13%	524,588	524,588	-
May 1, 2013	4.13%	1,474,588	524,588	950,000
November 1, 2013	4.25%	504,994	504,994	-
May 1, 2014	4.25%	1,729,994	504,994	1,225,000
November 1, 2014	4.38%	478,963	478,963	-
May 1, 2015	4.38%	1,778,963	478,963	1,300,000
November 1, 2015	4.50%	450,525	450,525	-
May 1, 2016	4.50%	1,800,525	450,525	1,350,000
November 1, 2016	4.60%	420,150	420,150	-
May 1, 2017	4.60%	1,845,150	420,150	1,425,000
November 1, 2017	4.63%	387,375	387,375	-
May 1, 2018	4.63%	1,887,375	387,375	1,500,000
November 1, 2018	4.75%	352,688	352,688	-
May 1, 2019	4.75%	1,927,688	352,688	1,575,000
November 1, 2019	4.75%	315,281	315,281	-
May 1, 2020	4.75%	1,965,281	315,281	1,650,000
November 1, 2020	4.75%	276,094	276,094	-

Continued...

# HARBOR SPRINGS PUBLIC SCHOOLS

## SCHEDULES OF BOND INDEBTEDNESS 2001 ISSUE

JUNE 30, 2005

Due dates	Interest Rate	Requirements		
		Total	Interest	Principal
May 1, 2021	4.75%	\$ 2,001,094	\$ 276,094	\$ 1,725,000
November 1, 2021	4.75%	235,125	235,125	-
May 1, 2022	4.75%	2,035,125	235,125	1,800,000
November 1, 2022	4.75%	192,375	192,375	-
May 1, 2023	4.75%	2,067,375	192,375	1,875,000
November 1, 2023	4.75%	147,844	147,844	-
May 1, 2024	4.75%	2,122,844	147,844	1,975,000
November 1, 2024	4.75%	100,938	100,938	-
May 1, 2025	4.75%	2,175,938	100,938	2,075,000
November 1, 2025	4.75%	51,656	51,656	-
May 1, 2026	4.75%	2,226,656	51,656	2,175,000
		<b>\$ 46,870,294</b>	<b>\$ 17,645,294</b>	<b>\$ 29,225,000</b>

Denominations \$5,000 each, numbered 1 to 6,300 inclusive

Redemption prior to maturity Bonds maturing May 1, 2002 through May 1, 2011 shall not be subject to redemption prior to maturity, on or after May 1, 2012 shall be subject to redemption prior to maturity at the option of the District, in any order, in whole or in part, in integral multiples of \$5,000, on any interest payment date on or after May 1, 2011, at par, plus accrued interest to the redemption date.

Concluded

## **INTERNAL CONTROL AND COMPLIANCE**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

August 5, 2005

Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Harbor Springs Public Schools* (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and disbursements and the recording of these transactions. The District recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".





# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 15, 2005

Board of Education  
Harbor Springs Public Schools  
Harbor Springs, MI

Through our role in performing financial statement services, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of ***Harbor Springs Public Schools*** (the "District") for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes comments related to financial reporting responsibilities of the District. This letter does not affect our report dated August 15, 2005 on the financial statements of the District.

We have already discussed this comment with the Business Manager and members of management, and we would be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**COMMENTS AND RECOMMENDATIONS**

**JUNE 30, 2005**

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**AGENCY FUND INTERNAL CONTROLS**

The District is responsible, in a fiduciary capacity, for the student activity and private-purpose trust funds of the District. Parent or staff volunteers administer many of the student activity funds. They collect fund-raising receipts outside the scope of the accounting controls implemented by the District. This decentralized process increases the risk of misappropriation of assets. To mitigate this risk, we recommend the District develop written procedures and forms to be used consistently by all parent and staff volunteers administering student activity accounts. The District may also develop a “club advisor contract” that outlines the policies and procedures to be followed. This contract would be signed by the parent or volunteer advisor acknowledging that they are aware of and agree to adhere to the policies and procedures of the District. These policies should outline the procedure for gaining District approval for fund-raisers, processing check requests for funds needed, and keeping a reconciling set of accounting records for the activity. A well-developed set of policies and procedures related to the student activity and private-purpose trust funds will provide an audit trail that can be reconciled to the District’s records to ensure accuracy of the accounting functions of the student activity and will reduce the potential for misappropriation of fiduciary fund assets.

**DECENTRALIZED CASH RECEIPTS**

The District collects cash at several remote sites during athletic events and activities. Generally, parents and volunteers are responsible for ticket sales. At the conclusion of the event, a deposit bag is prepared and turned over to school officials for deposit. To prevent a misappropriation of assets and to ensure the timely recording of revenue collected, we recommend that the District develop a process for reconciling ticket sales to cash collected prior to deposit. The District may consider the use of pre-numbered, color coded tickets. Different colors could be used for the different priced tickets. The beginning and ending numbers used could be accounted for on each ticket roll providing the seller with the number of tickets sold at the end of the event. The number of tickets sold at each priced could be calculated and compared to the cash collected as part of the reconciliation process. At the end of the evening, two individuals should count the money and prepare the reconciliation, initialing the form when complete. The deposit bag may then be prepared for deposit and turned over to the school official. The accounting office could then compare cash deposited per the reconciliation to the duplicate deposit slip for accuracy. If significant differences resulted between the reconciliation and cash actually on hand, the discrepancy could be resolved on a timely basis.

## **MICHIGAN FINANCE QUALIFYING STATEMENT**

All governmental units subject to the Revised Municipal Finance Act (PA 34 of 2001) must submit their qualifying statement electronically using the Department of Treasury's website. The District must establish a password to submit the qualifying statement on-line. If necessary, the Business Manager must call the Local Audit and Finance Division of the Department of Treasury (517) 373-0660 and request one.

## **ELECTRONICALLY FILING THE FINANCIAL STATEMENTS**

Beginning with the fiscal year ended June 30, 2005, the District may submit their financial statements to the State of Michigan electronically. To do so, the financial statements must be created electronically in an Adobe Acrobat file. This file may also be forwarded to bond counsel for preparation of the SEC continuing disclosures. We would be happy to provide an electronic version of the financial statements for your use.

## **CONCLUSION**

It has been a pleasure to provide audit services to the *Harbor Springs Public Schools*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested on a timely basis. The District's accounting personnel are friendly, conscientious and very helpful.

We appreciate your business! Thank you.